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WHITE HOUSE FOR USTR LAURIE-ANN AGAMA
DEPT EEB FOR USITC BRENDAN LYNCH AND MICHAEL FERRANTINO

SENSITIVE

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SUBJECT: GHANA MINING HIGHLIGHTS, MARCH 2009

1. SUMMARY:

1A. In large numbers, artisanal miners have begun to abandon diamond fields in favor of more lucrative gold mines in the Western Region as a result of depressed diamond exports due to the global financial crisis. Diamond exports are expected to drop 30 percent and prices in one diamond center have dropped by 60 percent. As itinerant workers move from diamond to gold mines, labor, environmental, and human rights abuses may rise.

1B. U.S. hedge fund Paulson & Co Inc. acquired an 11.3 percent ownership in AngloGold Ashanti, a global gold producer with two operations in Ghana.

1A. ARTISANAL MINING: DIAMOND MINES ABANDONED FOR GOLD

12. Peter Chirico of the U.S. Geological Survey related to econoff anecdotal evidence that Ghanaian artisanal miners were moving en masse from diamond mines to gold mines. Chirico was conducting TDY fieldwork in the alluvial diamond fields in Western Region.

13. Chirico said that the global financial crisis had already started to hurt Ghana's diamond industry. A large percentage of the local diamond industry supplies industrial diamonds used for drilling, cutting and other parts of the construction sector. Buyers for Ghana's diamonds have dried up, and industry insiders told him they expected a 30 percent drop in diamond exports as a result of the global downturn. Chirico observed that diamond prices per carat at the buying houses of Akwatia fell by 60 percent in the past year.

14. As many as half of Ghana's estimated 10,000 artisanal miners had already abandoned diamond mines in Akwatia in favor of gold mines 50-100 km away in Abomosu, in the Birim Valley. These miners were itinerant workers engaged in small scale digging, not trained mining company employees. Although a few coops exist, the majority of artisanal miners work in informal groups of up to 200 on a day-to-day basis. Likewise, excavators used to move earth in diamond mining have also been largely reallocated to the gold mining areas, making it more difficult to secure the equipment necessary for diamond mining.

COMMENT

¶5. (SBU) As developed country consumption slumps as a result of the global downturn, we expect Ghana's diamond industry to continue to shrink. This trend will be exacerbated by the reported lack of available equipment for mining activities, and a paucity of alluvial diamonds easily found by unskilled artisanal miners in the river beds of the Western Region.

¶6. (SBU) This trend will also increase labor tensions and human rights abuses; the GOG Commission for Human Rights and Justice (CHRAJ) in March 2008 issued a report on abuses of small scale miners by security guards--sometimes Ghana Police Service officers working for larger gold mines in Western Region. The report also documents environmental issues, such as water pollution, erosion and land degradation. These conditions make life in neighboring communities more difficult, and become a source of conflict between miners and community members.

¶B. US HEDGE FUND ACQUIRES STAKE IN ANGLOGOLD ASHANTI

¶7. (U) U.S. hedge fund Paulson & Co Inc. has acquired an 11.3 percent ownership stake in AngloGold Ashanti from the UK's Anglo American for USD 1.83 billion. The stake represents approximately 4 percent of the value of Paulson & Co. AngloGold Ashanti is a global producer of gold and has two operations in Ghana, at Iduapriem and Obuasi.

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